Recovery methods of bank loans

†1144. SHRI AJAY SINGH CHAUTALA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that several commercial banks use physical force for recovery from borrowers and intimidate their family;

(b) if so, the details thereof; and

(c) whether Government would take any legal action to stop banks from resorting to this unlawful method of recovery?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Reserve Bank of India (RBI) has reported that incidents of alleged use of coercive methods by some banks for recovery of loans in case of default has come to their notice. However, details in this regard are not collated by RBI.

(c) The complaints have been taken up by RBI with the concerned banks for appropriate action. In case of any violation of extant guidelines by a bank, appropriate regulatory action is taken by RBI.

Guidelines have already been formulated by RBI on Fair Practice Code for Lenders in May, 2003, which *inter-alia,* stipulate that in the matter of recovery of loans, the lender should not resort to undue harassment *viz.* persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.

RBI has also issued instructions to all commercial banks/NBFCs (excluding Regional Rural Banks) in November, 2005 regarding Credit Card Operations, which clearly stipulate that their agents should not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts. This includes acts intending to humiliate publicly or intrude upon privacy of the debtors, their family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.

The Code of Banks' Commitments to Customers formulated by Banking Codes and Standard Boards of India (BCSBI) provides, *inter-alia,* that the collection policy of the bank be built on courtesy, fair treatment and persuasion and the bank follows a security repossession policy in consonance with the law.

The IBA has also formulated a "Model Code for collection of dues and repossession of Security" which has been recommended to banks for adoption and implementation. The Model Code, *inter-alia,* provides that banks commit to maintaining the dignity and respect of customers in their Debt Collection Policy and not follow policies that are unduly coercive in collection of dues.

Further, in Mid-Term Review of Annual Policy Statement (dated October 30, 2007), RBI has observed that in view of the rise in the number of litigations against banks for engaging recovery agents in the recent past, it is felt that the adverse publicity could result in serious reputational risk for the banking sector as a whole. RBI has urged banks to follow prescribed specific considerations while engaging recovery agents. RBI has stated that complaints received regarding abusive practices followed by a bank's recovery agent would invite serious supervisory disapproval. RBI would consider imposing a temporary ban (or even a

†Original notice of the question was received in Hindi.

permanent ban in case of persistent abusive practices) for engaging recovery agents on those banks where strictures have been passed/penalties have been imposed by a High Court/Supreme Court or against its Directors/Officers with regard to the abusive practices followed by their recovery agents.

Discrimination against SC/ST in the SBI

1145. SHRI GANDHI AZAD: Will the Minister of FINANCE be pleased to state:

(a) the details of action taken on letters received from VIPs in the Ministry/State Bank of India about discrimination against Scheduled Castes/Scheduled Tribes in the Bank;

(b) whether All India Association for SC/ST & Physically Handicapped has been approaching from 16th December, 2006 on the grievances of SC/ST Bank Employees;

(c) if so, the details of action taken thereon;

(d) if not, the reasons therefor; and

(e) the number of representations of SC/ST employees pending with the Bank on such issue?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) State Bank of India (SBI) has reported that it is following the Guidelines issued by the Ministry of Personnel, Public Grievances & Pensions, Department of Administration Reforms & Public Grievances regarding letters received from VIPs.

(b) to (e) SBI had received one letter in December, 2006 from the President of All India Association for SC/ST & Physically Handicapped alleging discrimination against SC/ST Employees/Officers of the Bank in the matter of their transfers and postings. It was also alleged that several SC/ST Clerks/Cashiers were not being posted nearest to their native places especially in Rajasthan region.

The Government has laid down broad guidelines for transfer and posting of bank employees. It is reported by the SBI that in the case of holders of Group 'C' & 'D' posts those who have been recruited on regional basis and who belong to Scheduled Tribes are being posted near their native places within the region, as far as possible and subject to administrative constraints. However, so far as those belonging to SC/ST in Group 'A' & 'B' are concerned, the SBI has informed that it may not be possible or desirable to lay down that such employees who have all India transfer liability should be posted near their native place only.

Foreign exchange Reserve

1146. SHRI AMIR ALAM KHAN: Will the Minister of FINANCE be pleased to state:

(a) whether any assessment has been made with regard to the foreign exchange reserves in the country;

(b) if so, the details thereof alongwith the amount of foreign exchange reserves at present;

(c) whether Government proposes to utilize any percentage of the foreign exchange reserve on the creation of infrastructure in the country;